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**FISCAL IMPACT STATEMENT**

**LS 6968**

**BILL NUMBER:** HB 1565

**NOTE PREPARED:** Feb 16, 2015

**BILL AMENDED:**

**SUBJECT:** Energy-Efficiency Audits of State Property.

**FIRST AUTHOR:** Rep. Moed

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill requires the Indiana Department of Administration (IDOA) to annually conduct energy efficiency audits of state-owned real property that the IDOA considers to be the least energy-efficient.

**Effective Date:** July 1, 2015.

**Explanation of State Expenditures:** *Summary* - This bill will increase expenditures for the IDOA to annually conduct energy audits of the state-owned real property considered to be the least energy-efficient through a ranking system. Costs incurred in conducting energy audits may be offset by future savings realized by implementation of any of the energy savings recommendations contained in the audit. The fiscal impact will depend upon the administrative actions of the IDOA.

(Revised) *Additional Information* - IDOA has estimated that there is approximately 4.4 million square feet of space in the buildings making up what is commonly referred to as the state capitol campus. The buildings included in this estimate are the State House, the State Library, the Indiana Government Center North and South buildings, and the parking garages. Based on information from state and local government resources, the cost for an energy audit of these facilities could be contracted at a price between \$0.05 and \$0.15 per square foot. The cost for performing an energy audit on the state capitol campus only could range from \$200,000 to \$600,000.

Other state-owned properties include state hospitals, facilities occupied by the Department of Correction, Department of Natural Resources, the Indiana Department of Transportation, the School for the Blind, and

the Indiana Veterans' Home. The IDOA does not have the square footage of these facilities available. The bill does not identify which agency would be responsible for the costs associated with non-IDOA controlled facilities.

The contract price could vary depending on several factors including:

- (1) the number of contracts needed to complete an audit of all the properties selected by the IDOA;
- (2) the possibility of offsetting costs in contracting for the implementation of recommendations contained in the audit for energy efficiency measures; and
- (3) any energy cost savings guarantees that may be contracted for in the negotiations of the audit.

Under current law, IDOA has the authority to administer energy cost savings contracts (IC 4-13.6-8). These contracts involve energy audit costs as well as the cost of implementing the energy efficiency improvements recommended in the audits. The statute also requires these contracts to involve a calculation by the IDOA on the amount to be saved in a 20-year period as a result of these improvements. In order to approve one of these contracts, IDOA must reasonably expect that the costs of the improvements will not exceed the savings realized within that 20-year period.

According to the IDOA, the energy audit costs involved in these contracts are not stated separately from the total cost of the audit and implementation of improvements. Therefore, the cost of the audit procedures involved in these contracts is currently indeterminable.

The IDOA does not currently conduct energy audits of state facilities. However, the IDOA does track energy usage for the government center campus to identify ways to reduce energy costs.

The bill requires the energy audits to include a study of the following for each property:

- (1) The efficiency of equipment located at the real property.
- (2) The use of energy for heating, ventilation, and air conditioning.
- (3) The use of energy for lighting.
- (4) Maintenance procedures.
- (5) The cost of alternate sources of energy for any energy used.

The energy audits must include:

- (1) recommendations on ways to conserve energy;
- (2) estimates on the time necessary for implementing any recommended changes; and
- (3) projected costs of any capital improvements necessary to reduce energy use.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Indiana Department of Administration.

**Local Agencies Affected:**

**Information Sources:** Tim Grogg, Indiana Department of Administration; Guaranteed Energy Savings Performance Contracting, State Agency Manual, March 2014; Minnesota's Guaranteed Energy Savings

Program; Local Government Energy Efficiency Resources, Identifying Energy Projects, Prepared for the Los Angeles County ISD, September 2013.

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